



October 21, 2008

**VIA TELECOPY & HAND DELIVERY**

Fax No. (212) 526-7672

Fax No.(212) 759-5532

Lehman Brothers Special Financing, Inc.  
c/o Lehman Brothers Inc.  
Transaction Management  
ATTN: Documentation Manager  
745 Seventh Avenue, 28th Floor  
New York, New York 10019

Alvarez & Marsal, LLC  
6th Floor  
600 Lexington Avenue  
New York, New York 10022

Re: Demand for Return of Posted Collateral Pursuant to terms of ISDA Master Agreement, Schedule and Credit Support Annex dated as of July 8, 2002 (collectively and as amended, the "Agreement") between Lehman Brothers Special Financing, Inc. ("LBSF") and Royal Bank America, formerly Royal Bank of Pennsylvania ("Royal Bank")

To Whom It May Concern:

On September 29, 2008, Royal Bank issued written notice to LBSF declaring an Early Termination Event under Section 6 of the above-referenced Agreement and selecting September 29, 2008 as the Early Termination Date. A copy of this written notice is enclosed.

Pursuant to Section 6 (e)(i)(4) of the Agreement, Royal Bank has determined that an early termination payment is owed to LBSF in the net amount of \$351,263.20. Royal Bank's calculation of this net amount in accordance with the Second Method and Loss is enclosed.

Pursuant to Paragraph 8(b)(iv)(B) of the Credit Support Annex, Royal Bank is entitled to withhold payment of the foregoing sum until such time as the Posted Collateral is returned to Royal Bank. The Posted Collateral consists of a Fannie Mae (\$15,000,000 par) mortgage backed security, FNMA Pool 254721, bearing Cusip No. 31371K4E8. In addition, pursuant to Paragraph 8(b)(i) of the Credit Support Annex and Section 9-623 of the New York Uniform Commercial Code (the "UCC"), Royal Bank hereby tenders to LBSF the sum of (i) \$351,623.20 and (ii) the reasonable expenses and attorneys fees (if any) described in Section 9-615(a)(1) of the UCC to the extent provided for the Agreement and not prohibited by law, such sum to be paid simultaneously upon the return of the Posted Collateral (together with any interest received by LBSF with respect to such collateral after September 29, 2008). Pursuant to Sections 9-602 and 9-624 of the UCC, Royal Bank's right of redemption with respect to the Post Collateral is not subject to waiver.



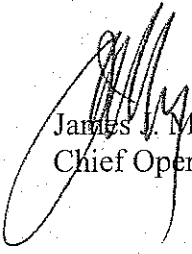
Lehman Brothers Special Financing, Inc.  
October 20, 2008  
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And notwithstanding the foregoing, pursuant to Section 8 (b)(iii) of the Credit Support Annex, Royal Bank hereby demands that LBSF immediately comply with its obligation to return the Posted Collateral to Royal Bank, and pursuant to Section 8(b)(iii) tender and/or payment of the above amount is not a condition precedent to LBSF's obligation to do so.

Finally, please be advised that effective September 29, 2008, any legally enforceable right that LBSF may have had under Section 6 of the Credit Support Annex to use the Posted Collateral was terminated. Pursuant to Section 9-207 of the UCC, LBSF has an obligation to protect and preserve the Posted Collateral until it can be returned to Royal Bank.

If the Posted Collateral, together with any interest received by LBSF with respect to such collateral after September 29, 2008, is not returned immediately, Royal Bank will commence an appropriate action in the Bankruptcy Court to recover its property. Royal Bank reserves all of its rights, powers, privileges and immunities with respect to the Agreement and under applicable law.

Very truly yours,



James J. McSwiggan, Jr.  
Chief Operating Officer

JJM:laz



VIA COURIER, FACSIMILE, CERTIFIED MAIL (RETURN RECEIPT REQUESTED) AND  
EMAIL

29 September 2008

Lehman Brothers Special Financing, Inc.  
c/o Lehman Brothers Inc.  
Transaction Management  
ATTN: Documentation Manager  
745 Seventh Avenue, 28th Floor  
New York, New York 10019

Re: Early Termination Notice for the ISDA Master and Schedule  
dated as of July 8, 2002, as amended, between  
Lehman Brothers Special Financing, Inc. and Royal Bank of Pennsylvania

To Whom It May Concern:

As you know, Lehman Brothers Holding, Inc. ("LBHI") filed for bankruptcy protection on September 15, 2008. LBHI is named as a Credit Support Provider of Lehman Brothers Special Financing, Inc. ("LBSFI") subject to a certain International Swap and Derivatives Association, Inc. Master Agreement and Schedule dated as of July 8, 2002, as amended, between LBSFI and Royal Bank America (formerly known as Royal Bank of Pennsylvania) ("Royal") (collectively, the "Agreement"). Pursuant to the terms of the Agreement the bankruptcy filing of LBHI constitutes an Event of Default as described in Section 5 (a) (vii). Therefore, Royal has elected to declare an Early Termination Event pursuant to Section 6 (a) with respect to all transactions subject to the Agreement effective today.

Pursuant to Paragraph 8 (a) (iii) of the Credit Support Annex dated July 8, 2002, we will proceed to set off the value of the posted collateral held by you for the benefit of Royal against the determination of our Loss of the outstanding transactions subject to that Agreement pursuant to Section 6 (e) (i) (4) as soon as we can practicably.

Kindly note that Royal reserves all of its rights, powers, privileges and immunities with respect to the Agreement

Sincerely,

A handwritten signature in dark ink, appearing to read "James J. McSwiggan Jr.", written over a horizontal line.  
James J. McSwiggan Jr.  
Chief Operating Officer

RECEIPT ACKNOWLEDGED BY \_\_\_\_\_ DATE: \_\_\_\_\_



SLI 869016v1/101445.00001

Executive Offices • 732 Montgomery Avenue • Narberth, PA 19072 • 610.668.4700  
NASDAQ: RBPAA

[www.RoyalBankAmerica.com](http://www.RoyalBankAmerica.com)



ANDREW KALOTAY  
ASSOCIATES, INC.


**Valuation of Certain Swaps with Lehman Brothers**

October 17, 2008

As requested by Royal Bank America, Andrew Kalotay Associates, Inc. has valued the following swaps as of September 26, 2008. The values are settlement amounts (i.e. they include accrued interest). Amounts in parentheses are against Royal Bank America.

Swap Reference	Notional Amount (\$)	Settlement Value (\$)
3884887	12,500,000	(64,551.34)
3884901	12,500,000	(15,324.24)
3878157	10,000,000	113,849.85
2623748	5,388,837	(385,237.47)

Please contact us if you have any questions.



Leslie Abreo